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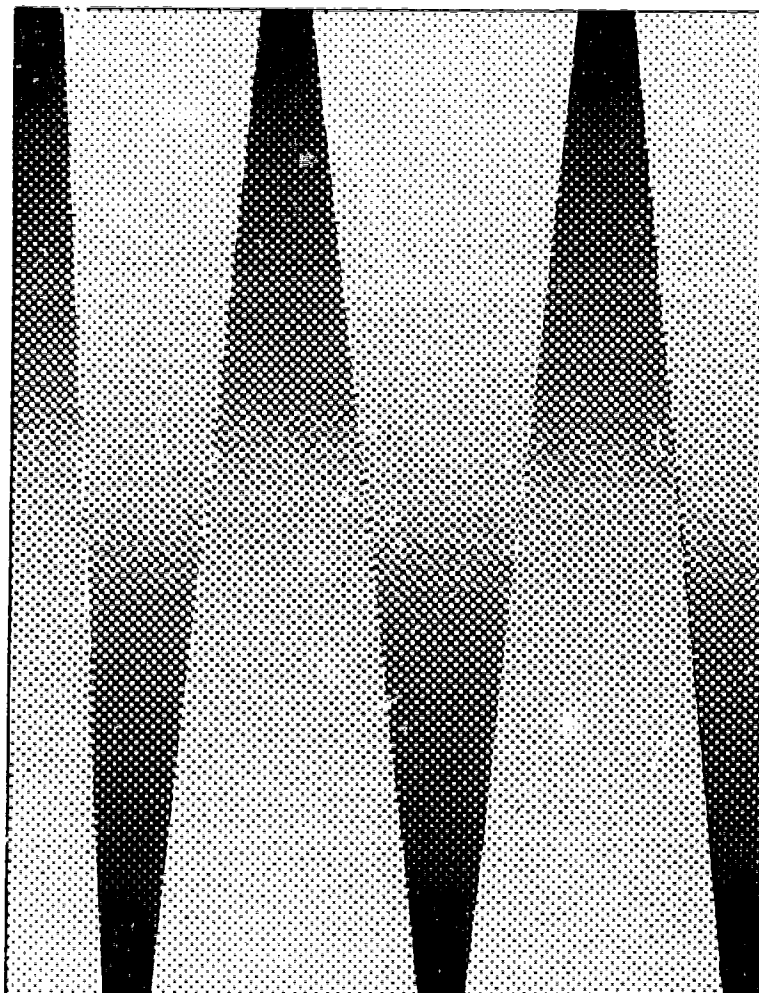
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ABSTRACT

This monograph outlines public policy responses to deal with the effects of forced worklife changes fashioned by government in the United States, Japan, and Western European countries. From the Morrill Act of 1862, through New Deal policy initiatives and on to the "active" manpower policies operating in Europe, the record of government programs and the economic theories underlying them are surveyed and assessed. Special attention is given in this review to the identification of the role assigned education and training as a work-life adjustment mechanism. The account traces the enduring tension in public policy responses between adjustment to change (epitomized by the education and training approach) and resistance to change in the American workplace. A case is presented for the fuller development of countercyclical education and training policy incorporating relevant and useful elements of the European experience. Such a policy would call for programs which would expand public education and training opportunities during business cycle downswings or other planned-for slack periods in the labor market, as in the 1980 case of a planned recession. Through such expanded education and training opportunities, the stock of workforce skills and worker mobility would be preserved and enhanced. Such a policy stands in sharp contrast to present policy and practice in the United States, in which both public and private education and training activity diminishes during economic downswings. How countercyclical programs are designed and financed abroad and could be structured in the U.S. are discussed. (KC)

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The authors of the policy research papers in this series are knowledgeable analysts both from within and without the National Institute for Work and Learning. Their charge was to explore one or more issue areas which the project identified as being of significant interest to public and private sector decision makers concerned with shaping worker education and training policy and practice for the coming decade. Authors were asked to synthesize the relevant research bearing on the issue areas, to assess the knowledge base with a view to discerning the points of public and private policy relevance, and to use their best independent professional judgments in offering recommendations for action.

Therefore, it is important to note that the opinions and points of view presented in this and other papers in this series do not necessarily represent the official positions or policy of either the National Institute of Education or of the National Institute for Work and Learning.

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FOREWORD

Early in a new decade the country finds itself already knee deep in what seem quixotic, turbulent economic waters. Many Americans are altogether unsure what will follow the inevitable plunge...a refreshing swim or an exhausting struggle against crosscurrent and undertow.

As this paper goes to press, the tides pull toward recession, a planned recession to stem the pace of inflation. To the uncertainties and insecurities of worklife, which are now familiar products of two centuries of accelerated change in technology and economic interdependence, is added a further source of shock and dislocation. Some larger number of adult Americans will experience, early on in this decade, the ordeal of worklife change -- displacement, unemployment, underemployment, deferred workforce entry or some other form of forced transition.

Public policy responses to deal with the effects of forced worklife changes fashioned by governments in the United States, Japan and Western European countries with which we often compare ourselves are the subject of this timely and thought provoking paper by Dr. Charles Stewart. From the Morrill Act of 1862, through New Deal policy initiatives and on to the "active" manpower policies operating on the Continent, the record of government programs and the economic theories underlying them are surveyed, and assessed. Special attention is given in this review to the identification of the role assigned education and training as a work-life adjustment mechanism. Carefully traced in the accounting is the enduring tension in public policy responses between adjustment to change (epitomized by the education and training approach) and resistance to change in the American workplace.

A forceful case is presented here for the fuller development of countercyclical education and training policy incorporating relevant and useful elements of the European experience. Such a policy would call for programs which would expand public education and training opportunities during business cycle downswings or other planned for slack periods in the labor market, as in the present case of a planned recession. Through such expanded education and training opportunities the stock of workforce skills and worker mobility would be preserved and enhanced. Such a policy stands in sharp contrast to present policy and practice in the United States, in which both public and private education and training activity diminishes during economic downswings. How countercyclical programs are designed and financed abroad and could be structured in the U.S. are discussed as well.

The reader, be he or she interested lay person or professional engaged with labor market or education policy issues, will encounter in

these pages a tightly woven, refreshingly lucid guide to understanding the present arsenal of public policy measures to reduce the loss in human and economic terms attendant to forced worklife changes. The reader will find as well alternatives for future policy direction that merit attention and discussion by those in government, industry, labor union, and education and the broader community who will determine how the country chooses to deal with the ordeal of change in this new decade.

Gregory B. Smith
Director
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INTRODUCTION

Not all the transitions by adults into and out of the labor force or from job to job during midlife--or in getting the requisite education and training--are unhappy experiences. But the changes may be traumatic and particularly so if they have to be made in periods of widespread slack and unemployment in the labor market. For everyone, the acceleration of change in the past two centuries, while raising the level of living, has introduced new uncertainties and insecurities into worklife. This is the ordeal of change for workers.

Given this ordeal for millions of people in this country, and in those countries which are our major trading partners, it is not surprising that the forces playing upon public policy push as strongly for resistance as for adjustment to change. This may be said to be the ordeal of public policy. Negative responses may be seen most strikingly in the competition among countries for national advantage in foreign trade to forestall loss of jobs in their declining industries. This negative response is reflected also in the priority given to protective types of income-maintenance measures--if we compare budget expenditures--in preference to more positive measures for labor market change and stability.

Shocks and Dislocations

No less change goes on in the upswings than in the downswings of the business cycle, but rising demand makes it easier for new workers and the unemployed to find jobs. As employment rises, hiring standards are relaxed and queues get shorter, and labor force participation rates are likely to move above secular trends.

For simplicity and brevity of exposition, we will have in mind a model that links technological change to the expansion and contraction of the business cycle (Lederer, 1938; Schumpeter, 1939; Gilpatrick, 1975). In this model, expansion gets under way with heavy investments in new technology; contraction follows as these come to an end, accompanied by rising unemployment aggravated by technological displacement; recovery takes place with new investments responding to and reinforcing rising demand for new or cheaper products.

The new production functions in the expanding industries may involve a different matrix of occupational skills and, if so, this makes it more difficult for workers to transfer from declining industries to new employments.

No problem exists as long as the labor force itself is able to adapt to new requirements. When this is not the case, the structurally unemployed are victims of one of two situations: (1) either their skill inputs are no longer used in output and also are not transferable to other occupations; or (2) their skill inputs are required in smaller proportions to output, and complementary skills for output are in short supply (Gilpatrick, 1975, pp. 150-151).

Skills made obsolescent--or required--by the new technology may not, however, be as significant quantitatively as shifts in demand among industries (Jaffe and Froomkin, 1968, Table 8.2, showing the greater relative importance of shifts in industrial mix than of occupational patterns within industries between 1950 and 1960). Thus, even if occupational patterns remain relatively unaffected by the new technology, substantial changes in skill requirements will result from employment demands in expanding sectors. In any event, occupational mobility or retraining is indicated.

Unemployed workers in these circumstances cannot say whether they are victims of technological displacement, the fortunes of individual firms, or the happenstances of mergers and reorganizations. Technological change is not the only factor in dislocations in the labor market, but it is useful to highlight it in considering worklife education and training as a means of contributing to worker adjustment to changes in the demand for labor.

Quantitative Scope, Qualitative Aspects

Where data are available and reasonably adequate, turnover rates are a good measure of the volume of change going on in the labor market at all times. Similarly, the relative movement of quits and layoffs, and of jobs wanted and job vacancies, suggests variation in the ease or difficulty of finding employment.

Everywhere, the overall unemployment rate is the most common measure of trauma in the labor market. Disaggregated data are even more useful analytically. In this country, state and local data, poor as they may be, are frequently used in selective implementation of labor market measures (as in the case of extended unemployment benefits) during recessions. Duration of unemployment, numbers working part-time but wanting full-time work, those who quit looking because they think no jobs are available, all reflect the condition of the labor market and the ordeal of change. Particularly illuminating is the magnitude of the flows of workers into and out of the various labor force categories from one month to another. Peculiar to the United States is the large number of unemployed reported with a job but on layoff, with either a definite or indefinite date to return to work, relative to others made jobless during the month.

The generally higher rate of unemployment in the United States in the past than in other industrial countries, often attributed by Europeans to the callousness of our social policy and labor market practices, may now be more properly seen--as confirmed by the narrowing of unemployment differentials since the recession of 1974--as indicative of a greater rate of change in a mobile society than in security-oriented economies. There is also a much greater use of layoffs by American employers together with unemployment benefits for adjustments to short-term changes in the demand for labor.

Reference is commonly made to broad long-term trends in occupational and industrial structures. Suggestive also are longitudinal surveys of changes made in occupational/industrial attachments, or place of residence, during the course of an individual's worklife. Quite relevant to worklife education and training are changes in ratios of production to nonproduction workers, of blue to white collar workers, and of goods-producing to service employment, from decade to decade, in what is called by some the post-industrial society.

Policy or No Policy?

Beyond these general indications of the changes going on constantly in the labor market, the reader is left to reflect on the human implications. Our own intuition is that the challenge of change is for most workers, on balance, not one of exhilaration and fun, yet we are optimistic enough to accept C.P. Snow's conclusion that life has become easier for the commonality of workers (Snow, 1959, pp. 28-29). What concerns us here is something different than the ordeal that change is for workers. This is taken for granted.

The central question for us is whether the process of adaptation by adult workers is adequately facilitated by available educational and training opportunities. To that end do we now have a policy--"a course of action a governing principle dictates"--or still only a mix of unconnected measures?

In Part I of this paper we describe developments toward a policy for worklife education and training--an account, in any event, of the evolution or accumulation of policy measures. The remainder of the paper is concerned with a number of possibilities for enhancing worklife education and training policy, and coordination of policy instruments, with some special reference to foreign experience. In Part II, contracyclical aspects are explored; in Part III, the links with labor-market income-maintenance measures; and in Part IV, the interconnections between public and private worklife education and training systems.

PART I.

TOWARD A POLICY FOR WORKLIFE EDUCATION AND TRAINING

During most of our history there was little questioning of the conventional division of individual lifetime into school, work, and retirement years; only relatively recently has it been subject to broad attack--hence the interest in worklife education and training. For a long time, however, there had been a considerable variety of self-educational activities by adults and formal and informal training by business establishments. So long as skill requirements dependent on technical instruction were the exception and slow to change, seemingly true until about the Twenties, industry's needs could be met well enough (aside from immigration) by a general form of education during youth and by on-the-job experience during worklife. What complaint there was over the lack of vocational content in public education had but marginal effect upon the elementary and secondary curriculum.

A. Education and Training for Work Prior to the Great Depression

Other than the underpinning of free public education, the beginning of a national worklife training policy is commonly traced to the 1860s, when for the first time fewer people were at work in agriculture than in nonagriculture (Mangum, 1976, p. 32). The Morrill Act of 1862 is seen as the political expression of the need in the new industrialism for the kind of professional and technical training not provided by the one-room school house or the traditional university.

Specifically, the Morrill Act provided each state with sufficient public land to support at least one "A&M" college for "such branches of

learning as are related to agriculture and the mechanical arts." The aim, as stated in the preamble, was "to promote the liberal and practical education of the industrial classes" (Venn, 1970, p. 149; italics ours). No doubt these institutions contributed to the pre-work training of engineers and other professionals for the technical needs of industry. More important, for our account of worklife education, was the role of the land grant colleges and their adjunct experimental stations and extension services in serving the lifetime needs of working farmers in an industrializing agriculture--and in the education of their sons who, as they left the family farm, comprised an important force in the new industrial society.

Whatever the vocational education movement and the Smith-Hughes Act of 1917 contributed to "useful and practical education" at the high school level for some students, there was little change in the character of state education systems. On the contrary, the virtues of the American system of "comprehensive education" were being confirmed and the system further elaborated.

The reports of numerous commissions

increasingly emphasized general education--that is, education for optimum effectiveness in daily living as citizens in a democracy--rather than preparation to meet the specialized needs of particular vocations or social classes... In general, theory favored devoting the early years of the secondary school primarily to general education, with gradually increasing attention to vocational or college preparatory studies (Encyclopaedia Britannica, 1958, v. 20; p. 258).

There was growing rejection by educators and employers of the view that the elementary schools could (or should) relieve industry of the burden of technical education (ibid., v. 8; p. 412). Apprenticeship continued to

provide firm-specific or occupational-specific training in a limited number of traditional trades for only a small percent of school leavers.

Thus, through the prosperity of the Twenties, the education of youth for worklife continued to have limited formal vocational content. The emphasis in the United States on more and more years of schooling of a comprehensive kind was quite different from that of other industrial countries. In Europe quite generally the young were selectively shunted into educational tracks leading at early ages to apprenticeship or work, or alternatively, for the "more able" or more fortunate, as in the United States, to the liberal arts or the higher ranges of vocational training and the traditional professions in the colleges and universities.

The question, then, is how were American workers trained in the years when the United States began to take over unquestionable leadership in the world of the new technology?

- The most obvious answer is that they were educated in the public schools for the most essential requirements of an industrial society (Gilpatrick, 1975, p. 149). These were not specific occupational skills. What employers wanted was general intelligence and malleability. This is what they got from comprehensive secondary education and the liberal arts curriculum of the undergraduate schools.

- As to private policy, firm-specific skills were obtained through formal and informal on-the-job training in the company, and occupational-specific skills through apprenticeship or by pirating workers from other companies.

- Probably most skill training came from on-the-job experience as workers moved from job to job as a result of quits or layoffs, or by

promotion within a firm through good work, favoritism from above, or long service, without benefit of formal training programs.

• Finally, there was a considerable if unmeasurable amount of educational activity on the part of adults outside the workplace (even inside, e.g., in the case of Gompers and his cigar workers). Not insignificant were literacy classes for immigrants, the Carnegie and other public libraries, correspondence and other proprietary schools, county agents, workers' education by unions and radical political groups, reading and discussion groups, debating societies, the Chautauqua, and other forms of popular education.

The conclusion suggested by this summary review is that by the end of the Twenties, a policy of no policy describes public policy as to worklife education for adult workers, while little other than formalization of on-the-job training was apparent in private company practice--this despite the much admired rationalization of the American productive mechanism in the prosperity of the Twenties as the United States assumed economic leadership in the world.

Was this merely somnolence? a neglect of industry's needs as well as those of adult workers? Or did the new capital-intensive technology and the assembly line, job specialization, and product standardization tend to simplify skills requirements so that on-the-job training in a mobile society sufficed for worklife competence for all but a small minority of the labor force?

B. Legacies of the Great Depression and World War II

With large-scale unemployment throughout the Thirties, human capital accumulation by adult workers must have been negative as more skills were lost through disuse than acquired by education, training, or job experience.

Formal training within industry was abandoned; apprenticeship came to a complete halt. Training through work experience declined, employment not returning to 1929 levels until 1940-1941. At best, New Deal job creation programs offset only a small part of the skill loss from unemployment--as high as 10.4 million or 19 percent of the labor force as late as 1938 (Wool, 1947, p. 638).

At the same time the ordeal of the Thirties brought with it new institutional arrangements, notably unemployment insurance and social security, to ease the adjustment in the future to the uncertainties and insecurities of worklife.

Wartime Training and Labor Force Expansion

The large reserves of labor available for wartime expansion of production and employment included chiefly persons with no occupational experience or training, principally women and youth and the unemployed, many with irregular job experience or exposure to work discipline. From these groups and the new cohorts of school leavers, employment increased by 7 million between 1940 and 1945, while the armed forces increased by about 12 million. Of the total growth in the labor force of 11 million during this period, some 8 million represented an influx of workers beyond normal expected growth (based on 1920-1940 trends) of 3 million; youth of school and college age furnished an estimated extra 4.4 million, men and women over 55 years of age an extra 1.6 million, and women 25 to 54 another 2.0 million above expected participation rates (Jaffe and Stewart, 1951, pp. 176-182). Unemployment was reduced from over 8 million in 1940 to about half a million by VE Day to account for the remainder of the growth in employment and the armed forces.

Does this argue that training proved not particularly difficult? or that conversion to war production did not raise the level of skills or the composition of occupational requirements to any great extent? or that jobs were readily redesigned to minimize training? or that the exigencies of wartime brought forth new training efforts and techniques?

In no small part, wartime needs simply occasioned an expansion of civilian-type output, as in textiles, clothing, food, chemicals, metals, etc. Similarly the conversion of many manufacturing facilities from consumer goods to armaments, from autos to tanks, say, implied little change in occupational inputs. And how exotic were most skill requirements in the sophisticated technologies of, say, the Manhattan Project or the new synthetic rubber industry?

Even assuming no great change in occupational patterns in wartime production, there was nevertheless a vast increase in demand for labor at every skill level. Every possible training facility was brought into use. In addition to normal Federal expenditures of about \$15 million annually for vocational education in the high schools, the Vocational Education for National Defense Act began to provide another \$80 million or so annually to the established state systems, mostly for training at below postsecondary levels but also for training in colleges and universities and for payment for use of private facilities. In this way, some kind of institutional training was provided for over 7 million prospective war production workers (Venn, 1970, p. 151) at a cost of about \$400 million under the VEND program (Woytinsky, 1953, p. 177), or a per capita cost of about \$60.

Important as the high school-oriented vocational training system proved in preparing the inexperienced for wartime work (Magnum, 1969,

p. 19), on-the-job training probably was of greater importance. "Jobs were broken down so that workers with a few weeks' training could perform the simplified, single-skill tasks. Supervisory training was especially emphasized so that skilled workers might be used more effectively" (Woytinsky, 1953, pp. 176-177; BLS, 1945, pp. 18-21).

However much or little this World War II training experience contributed to manpower development and training programs of the Sixties, the wartime Vocational Education for National Defense Act was a landmark in Federal intervention to assist broad groups of adult workers in adjusting to changing opportunities in the labor market. Later, beginning with Sputnik and the National Defense Education Act of 1958, there was an outpouring of Federal money for professional and scientific education and training related to defense, health, and other national concerns. Except for the Adult Education Act of 1966, these were, as in the case of the various legislative efforts to reform vocational education, related chiefly to school-time preparation for worklife.

The G.I. Bill of Rights

By far the most important legacy of the Second World War for worklife education and training was the G.I. Bill of Rights (the Servicemen's Readjustment Act) of 1944. By 1956, one out of two World War II veterans had availed themselves of its educational provisions--roughly seven and a half million people, at a cost of \$13 billion, a per capita average of about \$1,750.

Most veterans opted for education they had missed because of the war or would not have had a chance for except for the program--2.3 million at college or university level, 3.3 million for courses below college level. For education and institutional training, veterans received living

allowances up to \$120 a month as well as tuition and related costs up to a fixed limit. Payments to disabled veterans under the Vocational Rehabilitation Act of 1943 were larger and more open-ended (Encyclopaedia Brittanica, v. 23, pp. 114-114A).

The remaining two million or so veterans undertook training on the job or on the farm. Because veterans' subsistence allowances were frequently, in effect, subsidies for low-wage jobs requiring little training, regulations were put in force to place a ceiling on total wage and subsistence payments, and no tuition payments were made to employers.

Some abuses were widely publicized (Woytinsky, 1953, p. 178), but what impressed the public most was the serious response of young adults, generally beyond normal school age, to educational and training opportunities when the inducements were sufficient (Mangum, 1969, pp. 20-21; Donovan, 1979, pp. 6-7). Other provisions of the bill reinforced the educational opportunities afforded veterans--loans for homes, farms, businesses, and special unemployment benefits--in their transition to civilian life and employment.

The Employment Act of 1946

A third legacy of the war was the Employment Act of 1946. The overfull employment of the war had demonstrated that economic depression was not inevitable if demand were sufficient. At the same time, it was widely believed that problems of reconversion to peacetime production as military expenditures were reduced would lead to a postwar recession of some severity. Congressional response was the Employment Act of 1946 (Bailey, 1961).

Chiefly, the 1946 Act was declaratory and hortatory ("to promote employment, production, and purchasing power") and procedural (providing

for the Council of Economic Advisers, the President's Economic Report, and the Joint Committee on the Economic Report). All references to "aggregate volume of investment and expenditure" and the like were dropped from the Act as passed, yet the Act signalled the dominance of macro fiscal and monetary policies in the management of the economy in the postwar years.

How non-partisan this proved in fact is shown by an evaluation of the Act in the Economic Report of the President in the final days of the Eisenhower administration in January 1961:

(T)he language of the Act affords a fair degree of flexibility... Thus, in 1954, when the economy was undergoing a contraction, it was possible to execute a substantial reduction in taxes, and thereby to increase the purchasing power of individuals and business firms, because governmental expenditures, previously expanded because of The Korean conflict, were being cut back. In the contraction of 1958, on the other hand, different actions were called for and taken; monetary and credit policies were adjusted; Government expenditures were maintained and in some areas increased, at the same time that revenues declined, and a substantial deficit was incurred; administrative actions fostered a higher rate of home building; the Federal-aid highway program was accelerated; and unemployment benefits were extended (p. 54).

As suggested by the above account, macro policy at best had difficulties in the stabilization of demand at or near full-employment levels of activity. But to the extent that the Employment Act and the policies pursued did make for better economic performance than would otherwise have been the case, as there is reason to believe, labor market problems were accordingly eased. As it turned out, the crucial significance of the new economics for worklife education and training was the highlighting of selective labor market measures on the supply and demand side, complementary to macro demand policy, to deal with problems of what came to be known as structural unemployment.

C. The Area Redevelopment Act of 1961 and the Trade Expansion Act of 1962

Prior to Senator Douglas's long effort culminating in the Area Redevelopment Act of 1961, the Truman administration in mid-1949 began to use existing powers of government to attack structural unemployment in depressed areas. "For more than a year there has been a noticeable concentration of unemployment and distress in particular areas" despite the high levels of employment throughout the Nation (Economic Report of the President, January 1950, p. 117). Through modifications of procedures governing procurement, construction, and lending operations, an effort was made to aid the distressed areas. But the situation called for "even more determined efforts, broader in scope, and longer-range in character... The possibilities of more vigorous retraining, lending, and capital development activities should be examined. The action should contribute to permanent solutions, and not only alleviate current difficulties" (p. 118).

The two vetoes by President Eisenhower of the Douglas area redevelopment measures were the result only in part of a reluctance to having the Federal government assume "major responsibility for such measures." His final Economic Report in January 1961 pointed to some of the difficulties in the legislation as passed by Congress that later plagued the Area Redevelopment Act (ARA) of 1961 as signed by President Kennedy. "(L)egislation to facilitate structural adjustments should...concentrate on areas in greatest need of assistance and avoid dispersing funds over wide regions with little lasting effects. It should encourage the creation of new job opportunities, not merely the transfer of jobs from one part of the country to another" (p. 61).

Retraining was an important adjunct to the loans, grants, and technical assistance of the ARA, and apparently one of the more successful aspects of the program. By the end of 1964 about 39,000 unemployed had been enrolled in 900 projects covering training in over 200 occupations. Unlike the Manpower Development and Training programs, the ARA was able to provide subsistence payments equivalent to average state unemployment benefits for 16 weeks to all trainees and not only to heads of households. Of the ARA enrollees completing training in this early period, more than three-quarters found employment in training-related jobs--a promising beginning given the nature of the job market and the fact that its trainees comprised relatively more long-term unemployed with only an elementary school education or less compared to MDTA trainees (Levitan, 1964; Mangum, 1969).

This early ARA experience, especially the allocation of functions between state employment services and vocational education staff, was helpful in launching training under the Manpower Development and Training Act of 1962.

Another worklife training innovation early in the Kennedy administration was contained in the Trade Expansion Act of 1962. Retraining opportunities as well as special unemployment benefits were to be made available to workers whose jobs were certified to have been lost because of export competition; under the stringent criteria laid down in the 1962 legislation, no case was certified until November 1969. An operative program for such trade adjustment assistance had to await changes in criteria and procedures in the Trade Act of 1974 (see pp. 23-24).

D. The Structuralist Controversy and the Origins of the Manpower Development and Training Act of 1962

Despite the primacy of macro demand-management policy in the post-war years, the controversy between the so-called structuralists and the macroists did not harden until 1961. Previously, the complementarity of macro and structural measures seemingly was well recognized by administrations of both political parties. Who could quarrel with this statement in President Eisenhower's Economic Report of January 1961?

Steadier and fuller employment of the labor force, which presents the greatest and most complex challenge to public and private policy, is a problem that has structural as well as cyclical aspects [italics ours]. The problem cannot be resolved only by the moderation of fluctuations in economic activity as a whole; a continual, more effective matching of labor supply and demand in specific geographic areas, and occupations is also required. Such matching must be as smooth as possible in order to overcome dislocations incident to technological change, the transition from agriculture to industry, long-term shifts in product demand and industry location and international competition. While correction of these conditions are found most readily in a stable and prosperous economy, special remedial measures are also required (p. 60).

But a long and bitter controversy did ensue and its echoes are still heard (Killingsworth, 1978). While instructive, it now appears somewhat sterile. But it was not altogether an empty debate, for the two policy stances can still be observed in some degree in every country. The structuralists and the macroists differ chiefly in the quantitative weight attached to structural measures and to macro measures. "General economists in and around the Council of Economic Advisers were convinced that what was needed was a healthy fiscal stimulus to raise the rate of economic growth" (Mangum, 1976, p. 42). The Kennedy Administration did not oppose the ARA or the MDTA legislation; its economic advisers were simply not

enthusiastic about such measures compared to the potentialities and simplicities of the aggregate demand solution.

At the time of the controversy, Paul Samuelson, who was "around" but not "in" the Kennedy Administration, while maintaining a skeptical attitude as to the nature of structural unemployment, offered the following "most sensible view"--

There is no hard and fast line between structural and nonstructural unemployment. The alleged hard core of the structurally unemployed is in fact a core made of ice and not of iron. The core of ice can be melted over a period of time by adequate effective demand, or it can be solidified from inadequate overall demand. Specific measures for enhancing labor mobility, for retraining and allocating people, for improving employment exchanges and the organization of the labor market will by themselves help to melt the core of structural unemployment, but they are most needed and work most effectively when aggregate demand measures are being vigorously promulgated (Samuelson, 1964, p. 783).

Notwithstanding differences among economists as to remedial measures or the natural healing forces of the market (Killingsworth, 1978, p. 4), technological displacement of workers was very much in the minds of the American people in 1961 and 1962, as Congress prepared to pass the Manpower Development and Training Act of 1962. During the postwar years, productivity was running above the long-term trend. Automation was in vogue in the media, at international conferences, for enterprising consultants, and in scientific writings. Even though automation per se accounted for but a small part of the rise in output per manhour, technological displacement seemed self-evident in the apparent secular increase in unemployment. Unemployment and the unemployment rate appeared to be continuing to rise to new highs in the peaks and troughs of each successive business cycle. What touched Congressional sensitivities was not only that unemployment rose rapidly in 1961 to a peak of 7.1 percent in May for an average of 6.7

percent for the year, but that unemployment among married men reached 4.6 percent that spring (Mangum, 1976, p. 43).

Thus, the Manpower Development and Training Act of 1962, a landmark in the evolution of worklife education and training, was conceived against a background of a not too implausible fear of the displacement effects of the new technology. "The primary concern at that time was to retrain persons who were expected to be displaced by automation and technological change and to help them rebuild their skills to meet the occupational needs of the labor market" (Mirengoff and Rindler, 1978, p. 194).

Curiously, little was known about the training status of adult workers in the American labor force when the 1962 Act was passed, despite the common belief that "burgeoning technological innovations have generated demands for workers with more education and hitherto unknown skills..." and that "(t)he knowledge, skills and adaptability of the country's workers greatly influence its rate of economic and technological progress" (U.S. Department of Labor, 1964, p. 1). The congressionally mandated 1963 study provided the first comprehensive body of information on the subject.

Some results of the 1963 survey were not surprising but were unavoidably ambiguous as to what respondents understood or reported as formal training, and as to its quality and its deterioration over time. For adults 22 to 64 years of age in the civilian labor force in April 1963 who had less than three years of college (52 million out of 61 million covered by the survey), 45 percent reported some kind of formal training at some time and most of these had at least completed high school; the other 55 percent reported no formal vocational training of any kind and one-half of them had less than an elementary school education (ibid., p. 3).

The 8.7 million workers who had completed at least three years of college reported that they were working mainly in fields related to their college major or formal vocational training (ibid., p. 20). Except for this group, formal training ranked third to on-the-job training and "casual methods" as the means by which workers reported they had learned their job, and also ran third as the "most helpful way" for all occupations as a whole (ibid., p. 18).

Perhaps surprisingly, 2.8 percent of the group with less than three years of college, or 1,484,000 individuals, reported that they were currently engaged in vocational or job training (other than on-the-job training) at the time of the survey in April 1963. The survey also provided for the first time the major occupational fields for which training had been or was currently being taken, as well as, for men and women separately, the main types of training institutions in which formal training was undertaken (ibid., pp. 10-13).

E. Shifting Priorities under MDTA/CETA, 1962-1978

Ten years later, in the anniversary celebration of the MDTA, the origins of the legislation in congressional concerns over automation and technological displacement went virtually unmentioned. One of the two exceptions among the official participants was Lloyd Ulman. In his words, the MDTA "moved from an initial concern with technological unemployment and mature, experienced workers who were presumably the victims of the 'new technology,' to concentration on the young, the poor, the members of racial and ethnic minorities, many of whom have been victims of discrimination" (Ulman, 1973, p. 103).

Few recalled that at its inception MDTA was administered by the Office of Manpower, Automation, and Training. The shift in emphasis from training

of displaced unemployed workers to numerous categories of the disadvantaged, almost as soon as MDTA got started, has been explained succinctly by the rapid decrease of unemployment among married men by the early spring of 1963, while at the same time youth unemployment began to rise. "(W)hat was needed was not a retraining program but a training program for those who had never had substantial skills or stable work experience" (Mangum, 1976, p. 43).

The Economic Opportunity Act of 1964 and amendments to the MDTA confirmed the shift in policy emphasis from retraining of experienced workers to employability training of the disadvantaged, to overcome their personal and other disabilities for adaptation in an unfriendly labor market. There was much improvisation and lack of coordination for, unlike the situation in other countries, there had existed no prior national training system or centers in the hands of the manpower authorities. In the MDTA, the shift to the disadvantaged and the young was a slow process for many reasons, including the quite understandable tendency toward creaming. It took about five years to change the ratio from one disadvantaged out of three enrollees to two out of three and more years before reaching and fluctuating around four disadvantaged out of five.

From the beginning of the new orientation, there have been objections in principle. Gösta Rehn of Sweden was one of the first to argue that the result would be hurtful to the disadvantaged as well as to others; he was to repeat his criticism of the imbalance of the new emphasis in 1972 on the occasion of the MDTA anniversary:

It is all very well to upgrade semi-unemployables to the point where they can take up paid employment at one of the lower levels in the hierarchy of jobs. But squeezing more people onto the lowest steps of the ladder of jobs, which are already overcrowded, must lead to failures and antagonism. It would

seem essential to help those who are already more advanced, or at least employed, to climb to high steps of the ladder, thereby vacating places for new work entrants to be ushered in on simpler jobs. It is important also to fill vacancies in shortage areas to help general expansion by the indirect effects of opening such bottlenecks (Rehn, 1973, p. 175).

Since 1973 and the transition from MDTA to CETA, there are indications of some offsetting tendencies. These may be seen as consequences, in part unintended, of decentralization to prime sponsors, as well as of recession-induced tendencies. Public Service Employment has had the effect of raising age, education, and degree of attachment to the labor force and of reducing the proportion of blacks and disadvantaged generally in CETA programs. This was true as well of trainees and other beneficiaries under Title I (Mirengoff and Rindler, 1978, pp. 202-204), as a result of the decentralization process itself. "Factors associated with these changes are the spread of programs to the suburbs, changes in the mix and content of programs, conscious decisions to broaden the client base in response to community pressure, emphasis on selecting those most capable of succeeding, and a shift toward enrollment of heads of households in response to the economic decline" (ibid., p. 219).

CETA performance to date appears, then, to have had two tendencies relevant to development of a training system for adult workers without basically altering priority for the disadvantaged: (1) Training programs have been marginally redirected to serve a more mature clientele who may be more likely to enter employment after program participation. (2) During periods of exceptionally high-level unemployment, Public Service Employment has become an acceptable form of emergency jobs, if controversial, as a substitute for income-maintenance per se, and as competitor or supplement to other employment measures and training in recession.

F. Worker Adjustment Assistance under the Trade Act of 1974

The certification criteria and procedures under the 1974 Act have made it possible to certify large numbers of plants and workers as eligible for benefits to compensate them for losses resulting from import competition--contrary to the situation under the Trade Expansion Act of 1962 (see p. 16). The rationale for the special assistance provided is that the production and job losses are the result of U.S. trade policies. Adjustment assistance to plants and communities is the responsibility of the Department of Commerce and assistance programs to workers that of the Department of Labor.

Despite the expectation that this kind of situation would provide an unusual opportunity for adjustment through counseling, retraining, relocation, and placement services, this has not proved the case. It is not surprising, of course, that for workers the special attraction is an unemployment benefit over and above that of regular unemployment compensation for up to 52 weeks, and longer if in training. From April 1975 through January 1979 about \$637 million were paid in cash benefits to 413,379 workers, averaging about \$1,400 per worker in addition to regular unemployment compensation payments received (U.S. Department of Labor, 1979, p. 1).

Workers in all but five states have received benefits since 1975, chiefly in the steel, automotive, apparel, footwear, electronics, textile, and copper industries. Most certifications resulted from union petitions.

What is surprising--and helps explain the relatively small demand for other types of assistance, including training--is that by the time the cases are certified and benefits are paid "roughly 75 to 80 percent of the individuals concerned are back at work, most frequently at the specific firm from which they were laid off," according to Department

of Labor estimates (DOL, unpublished memorandum; U.S. General Accounting Office, 1978, p. 20).

Obviously trade adjustment assistance has not demonstrated the exemplary virtues of training and retraining hoped for in facilitating shifts in labor and output to more competitive (or more productive) employments.

Through January 1979, only 15,537 workers entered training out of the 413,379 workers receiving benefits under the 1974 Act--somewhat less than 4 percent. As to utilization of other services offered, 2,045 received job search allowances, 1,295 relocation allowances. (The New England sample in the 1978 GAO Report, p. 19, indicates about 14 percent of the beneficiaries used counseling and job referral services of the local public employment agencies.) Most of the unemployed having been recalled or having found jobs on their own, only 13,433 were placed by employment service offices (U.S. Department of Labor, 1979, p. 1).

At best, it can be argued that gentlemen's or orderly market agreements, temporary quotas, or tariff increases under escape clauses are gradualist improvisations for easing the pains of transition. So far about 10 percent of the workers in the certified trade adjustment assistance cases have apparently retired or withdrawn from the labor force, according to unpublished Department of Labor estimates. But do we have a policy of accommodation to change other than attrition or buying of time? and how is that time being utilized? Constructive measures for adaptation through community and industry assistance under the Trade Act of 1974 would seem to require more retraining and redeployment of workers than is indicated by the small use of proffered labor market services.

G. Worklife Education and Training and the Goal of Lifelong Learning

The movement for a "learning society" has deep roots in American life, but to date there is no comprehensive system for providing and financing educational opportunity for adults throughout life. The emergence of what we have traced as a policy--if so it be--for worklife education and training, for easing the ordeal of change in the labor market, is but one aspect of the goal of lifetime learning. It has, however, both in the United States and in other countries, contributed to and drawn upon the more general tendencies toward flexible working life, recurrent education, and lifelong learning.

In the United States, the Lifelong Learning Act of 1976 is the symbol and not the realization of the goal of a lifelong learning policy, which by its nature is open-ended and unending for society and the individual. Its policy declarations fall short of a formal pronouncement of national policy; as set forth as "findings" in Sec. 131, they include among others the following--

- The American people need lifetime learning to enable them to adjust to social, technological, political changes;
- American society should have as a goal the availability of appropriate opportunities for lifelong education for all its citizens...;
- Planning is necessary at the national, state and local levels to assure effective use of existing resources in the light of changing characteristics and learning needs of the population.

Operationally, the Lifelong Learning Act (Title I-B of the Amendments to the Higher Education Act, P.L. 94-482) gave responsibility to the Office of the Assistant Secretary for Education for planning, assessing, and coordinating educational policy-making from a lifelong learning perspective. According to the first annual report to Congress,

The legislation was passed because of a widely felt concern over the proliferation of Federal programs to support adult learning--by one count close to 300 programs. What was needed, Congress declared was not still another program, but a mechanism for assessing the learning needs of individuals and society and for determining ways Federal resources and programs might best be used to help meet those needs (U.S. Department of Health, Education, and Welfare, 1978, p. 1).

PART II.

PATTERNS AND TIMING OF TRAINING PROGRAMS IN RECESSION AND RECOVERY

In a static society, there would be little periodicity in the demand for worklife education and training except for women reentering the labor force or for individuals changing careers in midlife, and collectively such demands would be fairly evenly distributed over time with little bunching. In real economic life, there are several conceivable patterns and, for policy purposes, it is necessary to consider private and public training separately and in combination, as well as the duration and nature of the business cycle.

- Until fairly recently, the time pattern has been for the employer training to drop off with the beginning of recession and to pick up again as recovery gets under way, with public training (if any) moving much the same, with minor differences in lead and lag time.
- In countries with an active manpower policy, as in the case of Sweden, public "labor market training" can be increased contracyclically as employment and private training falls off in recession and then allowed to decrease (except for shortage occupations) as employment opportunities rise with the beginning of recovery.
- A third pattern is suggested by recent experience in some countries where public training was on the increase prior to the recession of 1974 and continued to expand thereafter with little regard for what was going on in the private sector--essentially a catch-up phenomenon--provided the recession was not too long in duration.
- A fourth pattern is possible if we distinguish between the training requirements for expanding and declining industries, or shortage and non-shortage occupations; then it is possible to think of public training rising on a gentle slope with minor contracyclical movements along the trend path while providing appropriate support at all times, presumably cyclically in the upswing, to training activities in private firms or industry consortia.

A. Countercyclical Training in Active Manpower Policy

The idea of countercyclical worklife training and education, while not entirely new, is largely the product of the development in western countries of national manpower policies in the last twenty years or so. In the decade prior to 1974, many countries had initiated major efforts to expand their public training systems or to promote worklife training by subsidization of some form of educational leave, usually for economic growth and adjustment and not necessarily as a countercyclical instrument.

The principal international forum for building up support for a policy of countercyclical expansion of training by the public manpower authorities was the Manpower and Social Affairs Committee of the Organization for Economic Cooperation and Development (OECD). Some official recognition by the Member Countries was indicated as early as 1964, in the OECD Council's "Recommendation on Manpower Policy as a Means of Promoting Economic Growth." Nonetheless, there continued to be stubborn opposition throughout most of the Sixties. The psychological barrier to expanding training in periods of high unemployment was no less strong in Europe than in the United States.

But by the end of the Sixties most of the Western countries had come around in principle to the view that countercyclical training is a logical component of labor market policy to reduce cyclical unemployment and to avoid skill bottlenecks and inflationary pressures in the business upswing (Rehn, 1975, p. 99). In 1969 in the United States, the Nixon Administration proposed triggered expansion of public training programs in periods of rising unemployment in amendments to the MDTA, but this failed in the Congress. Beginning in 1974, the rising costs of unemployment benefits in all countries gave support to the suggestion that some

part of these expenditures might be more constructively spent for expanding training activities, and at little net cost (Mukherjee, 1976). What happened to training volume in four European countries during the continued rise in unemployment since 1974* will be noted briefly below.

B. Countercyclical Aspects of Worklife Education and Training:
Some International Comparisons

In what follows we will take a brief look at some major examples of new worklife education and training programs in a number of countries from the standpoint of how they may have contributed to countercyclical labor market training. The shape these programs have taken in the various countries is the result of differences in political systems, in the nature of traditional schooling and training, the existence or not of strong national labor market agencies, their relationship to the educational authorities, and special economic or labor market circumstances. Even a cursory elucidation of these factors and relationships is beyond the scope of this paper, but an awareness of these considerations is useful in an examination of foreign experience.

The Swedish Model

We will use the "labor market training" system of Sweden not in the sense of a model for other countries to imitate but as a model to help understand the differences and cyclical tendencies in worklife education and training in the various countries. So much has been said about the Swedish experience that we will resort to what must fairly be regarded

*In the first quarter of 1979, unemployment for the nine countries of the European Community in total was higher than at any time since the beginning of the recession; following plateaus of little change in 1976 and 1978, registered unemployment is slightly less than a year ago only in Germany, the United Kingdom, Denmark, and Luxembourg of the Community countries (Eurostat, March 1979).

as an authoritative interpretation by Gösta Rehn, who played no small role in the development of the Swedish model and later, in the OECD, of "active manpower policy" generally:

The expression 'labor market training' has been invented by the Swedes to characterize, better than simply 'adult training,' the purpose behind their voluminous activities in this field. During recent years more than 1 percent of the labor force, and about 1.5 percent during the low-employment winter season, have been engaged in training sponsored by the educational and labor market authorities in cooperation. Eligibility is confined to the unemployed and to workers in declining industries or persons otherwise presumed to have difficulties (e.g. unmarried mothers); if the training concerns 'shortage occupations,' however, anybody who wishes can participate. Income maintenance is provided by the State, largely at a level between unemployment insurance benefits and normal wages. This program is being used not only to help people with low skills to go over to better paying occupations, but also to help employers in shortage areas to expand production. It is also used as a direct short-term balance factor in the labor market. In each of the conjunctural downturns which this country has experienced since 1966 a rapid expansion of training has also helped considerably to limit the increase of unemployment, at the same time preparing a better supply for the next upturn (Rehn, 1975, pp. 98-99, italics ours).

It is precisely the labor market orientation of training programs under the direction of the central Swedish manpower agency, the National Labor Market Board, that is the essential characteristic of the Swedish model as viewed--and copied--by other countries. The demarcation of labor market training from adult education generally is, with some variation, common to other countries. The collaboration between the labor market and educational authorities is also similar to that which has grown up in other countries, i.e., direction in the hands of the manpower policy authorities with delivery of services in varying degrees by educational institutions and others.

But first a few specific comments. The concentration and efficiency of the Swedish manpower agency in directing its training to labor market objectives,--e.g., the reduction of unemployment by increasing training

in recession--may be misleading as to the social and non-vocational elements in its worklife training system.

All entering training go through a pre-training course which then polishes the skills in reading, mathematics, or language they will need to complete a course training successfully... In these ways the Centers serve the dual function of (1) re-training people with skills...and (2) providing the social services of helping people who have not succeeded in more conventional education programs (Hanf, Hjern, and Porter, 1977, p. 334).

"The educational element without direct vocational orientation to labor market training now accounts for about one-third of all labor market training" (von Moltke and Schneevoight, 1977, p. 138).

The separation of labor market training and adult education suggests a greater difference than is the case between the Swedish model of worklife training and those countries where labor market training takes the form of "educational leave" programs open to all. Generally it is true that Swedish labor market training is limited to the unemployed whereas other systems are open to employed workers as well. But it is a fiction that the "educational leave" schemes in other countries give scope to individual choice or are less labor-market oriented; in fact they have less non-vocational content than the Swedish model. "Even if it is not identified as such (Swedish) labor market training occasionally satisfied the purposes and goals assigned to educational leave more comprehensively than many outspoken educational leave programs" (von Moltke and Schneevoight, 1977, p. 145). Moreover, the 1976 payroll tax on employers for adult education provides regional education councils with funds for grants inter alia to workers who exercise their new legal rights (since 1975) to take educational leave from work of any duration or periodicity for any

kind of training; such unpaid leave is subject to the employer's convenience, and not all workers are assured of this or other forms of income support (The Swedish Institute, 1978, p. 1).

Another thing not to go unnoticed is the labor market board's strong control over the management of labor market training, having its own in-house training facilities (Hanf et al, op. cit., pp. 333-334). The flexibility afforded by the luxury of maintaining training facilities ready but unused is misunderstood by von Moltke and Schneevoight who write "... a utilization rate of only 65 to 80 percent (at times)... points out difficulties in prognostic planning in view of the vagaries of labor market developments" (op. cit., p. 138). Quite the opposite is the case. Advance preparation and readiness are the guiding rules of Swedish active manpower policy for meeting sudden contingencies.

A major innovation, in supplementation of the other counter-cyclical training programs, has been the payment of a 25 kroner hourly subsidy per worker to employers who provide training--up to 960 hours per worker--as an alternative to layoffs. In the peak year of the recession, the number of trainees rose rapidly from roughly 10,000 to 100,000 and, with recovery, declined apparently about as equally fast (The Swedish Institute, 1979, p. 2; National Labour Market Board, 1977/78, pp. 39-40).

As a result, Sweden has been able to achieve its objective of varying the numbers of workers in labor market training countercyclically, i.e., increasing training in recession and decreasing it as jobs open up. "During the 1970's the number of persons in training has varied in a more clearly anticyclical manner than before" (Johannesson and Schmid, 1979, p. 36). As we will note below, this was not the case in any other major European country.

Further Training and Retraining in Germany

What we will call the Further Training and Retraining Scheme under the Federal Republic's Employment Promotion Act of 1969, which owed much to the Swedish initiative in active manpower policy, broke the bounds of the Swedish labor market training model. By this program, free access to further training and retraining became a legal right of German workers, notably the employed, available upon application by individual workers subject to certain eligibility requirements. After 1974, as it turned out, these requirements were altered and interpreted more rigorously, with the change in economic circumstances.

Commentators have made much of the difference between the German and Swedish systems in the latter's emphasis on the use of training for the reduction of unemployment. The new German program of 1969 "was not developed as a measure for combatting unemployment, but as an adjustment measure for economic growth and for labor force mobility, and only secondarily as a measure for preventing unemployment" (Johannesson and Schmid, 1977, p. 43). While it is true that in Sweden there is a closer administrative link between placing workers in training and reducing unemployment--even if only because the Swedish system is largely limited to the unemployed--training in Sweden is no less a part of the whole labor market strategy for mobility and economic growth than in Germany.

Be that as it may, the Federal Republic was one of the early countries to declare its acceptance of the principle of "the use of adult training as an immediately counterbalancing factor against unemployment..." (Rehn, 1975, p. 99). "It goes without saying," the German authorities said in 1972, "that in times of economic depression, when structural weaknesses hidden during the boom become apparent, the

number of applications for extension training will be particularly high" (Report of the German Authorities, OECD, 1974, p. 141).

From the beginning there was never any question of the popularity of the program. The extraordinary enlistment of trainees at the outset testified to the pent-up demand for opportunities for upward mobility and social mobility through further training on the part of employed workers. It was also, in part, the result of a shift from other training programs in response to the attraction of "practically full income maintenance during the months and even years of training" with all costs paid (Rehn, 1975, p. 96). The program quickly reached a peak of 288,000 enrollees by 1971 and receded to 233,000 by 1974. The chief criticism was that the program was too successful in serving the needs of the better educated and experienced workers seeking job promotion and social advancement, and not sufficiently used in serving the training needs of inexperienced or unemployed workers.

The expectation that training volume would increase countercyclically was soon frustrated by the fact that the program was financed out of a common fund with rapidly rising unemployment benefits. What the newspapers described as the "golden coffers" of the national manpower agency--it had its own payroll tax for financing all of its programs--were soon depleted and had to be supplemented by general revenue funds, accompanied by closer oversight by the political authorities. In view of the Government's new austerity policy, eligibility standards were tightened by legislation, and applications were scrutinized more closely. "Training from now on is 'necessary' when the applicant is without work, immediately threatened by unemployment, or has no prospects of being employed" (Johannesson and Schmid, 1979, p. 44). "In these cases,

80 percent of the last net wage is still paid during the training period. The same holds for unskilled people. In all other cases the maintenance grants (by new regulations) amount only to 58 percent of the last net wage" which had a discouraging effect on employed applicants (ibid., p. 44).

The unemployed now comprise the preponderance rather than a small percentage of the trainees. Current information is not adequate to determine whether operations are in roughly a steady state or tending to decline. The latter is suggested by Johannesson and Schmid, who refer to the low take-up by the unemployed, which they attribute in part to the system's dependency on its deliverers of training services-- "the implementation network which is still strongly oriented toward training for upward mobility" (ibid., p. 44)--and to the fact that the manpower authorities do not have their own specialized facilities as in Sweden for training the unemployed. There were also indications that curtailment of the programs by the labor market authorities was, in part, the result of abuses by the private (institutional and other) deliverers of training services.

Thus, within ten years of its establishment, the comprehensive and ambitious Further Education and Retraining program of the Federal Republic began to move in the direction of the narrower Swedish labor market training system, focusing major attention on the unemployed and the hard-to-employ by tightening up eligibility standards for experienced workers. But in contrast to the Swedish case, it appears likely that training volumes have flattened out rather than risen countercyclically.

There are also indications that Germany places highest priority in recession training policy on assuring sufficient training slots for

school leavers, the basic feature in the traditional German training system, which helps to account for its low rate of youth unemployment (Stewart, 1978, pp. 95-96).

What we have said above seems to explain in large measure the major change in the German labor market training program since 1974. What will be of interest to us in Part III below is the close connection between the administration of training and payment of unemployment benefits by the national manpower agency in Germany. For the moment, we will note only the enthusiasm of foreign observers before 1974 for using unemployment insurance fund surpluses for financing training and other labor market programs. The results were not as expected--nor was the severity and continued duration of high-level unemployment in the period since 1974.

"Paid Educational Leave" in France

In many respects, the so-called Paid Educational Leave scheme for labor market training in France is more ambitious than the labor market training aims and programs of Sweden, Germany, or any other country. Contrary to common impression, the legislation of 1971 did not create a legal right to paid educational leave; it did announce, however, the adoption of a principle or policy of paid leave. Nor was the leave any less vocational or labor market oriented than in the Swedish and German precedents. The 1971 scheme was, however, more ambitious, difficult, and complex--and longer in gestation--because it represented one part of an attempt at reform of the whole French educational system (von Moltke and Schneevoight, 1977, pp. 85-87).

In contrast to the situation in Germany, where the comprehensive Further Training and Retraining Scheme of 1969 was in no small part the

product of the affluence of its modern economy, the new French worklife training scheme was the product of the travail of the transformation of the national economy (OECD, 1973, pp. 69-71)--"the shift from a malthusian, inward-looking society to a dynamic society open to the outside world" (Delors, 1973, p. 260).

Although many of the institutional underpinnings were already developed, the proximate cause of bringing the 1971 scheme to life is to be found in the "Events of May" of 1968 and in the meetings of Pompidou (then Prime Minister) with the trade unions and employer organizations to find a solution to the economic crisis that threatened French political stability (Stewart, 1978, pp. 92-93). One of these questions was what to do about training and retraining of workers facing loss of jobs in the mergers and reorganizations of enterprises in the ongoing transformation of French industry. In common enough French practice in labor market matters, the collective agreement between industry and labor--finally signed in July 1970--was given the force of law and extended with some qualifications to all industry in the Vocational Training Act of July 1971.*

In brief, the Act of 1971 gave French workers, subject to some qualifications, more particularly the interests of their employers, the opportunity for up to one year of full-time training or 1,200 hours of part-time training at pretty much full wages. Employers were required to set aside a percentage of their wage bill (0.8 percent to begin with

*For a summary of provisions, the relation to other public and private training activities in France, and the political rationale for devolution of substantial responsibilities to private organizations outside the educational system proper, see, among others, OECD, 1973, pp. 117-120; Delors, 1973, p. 266; and von Moltke and Schneevoight, 1977, pp. 63-79.

and 2 percent by 1976) and were given a legal duty to provide training. The money could be spent directly by the employer for training within the enterprise or paid to outside organizations for training services. Most of the training appears to be at the initiative of the employer and for his needs. In short, "paid educational leave" has not provided general educational opportunities at the initiative and discretion of the individual workers inside or outside ordinary working hours.

There is some State subsidization of training under the 1971 Act, provided it is not simply firm-specific. But in addition there is a wide range of programs directed largely to structural adaptation that are subsidized or conducted by the government (von Moltke and Schneevoight, 1977, pp. 66-67). Through a flexible system of grants, the State intervenes actively "according to priorities set and assigned to public as well as to private institutions" to achieve "a policy of orientation, cooperation, and coordination" (ibid., p. 47).

What effect the 1971 Act has had upon the timing and volume of French training is difficult to say because of shortcomings in statistical reporting. The best data available are those provided by von Moltke and Schneevoight, and these do not go beyond 1974. During the initial years, these authors believe the program had no great effect except to increase training in the smaller or medium-size enterprises. Between 1972 and 1973, hours of training increased roughly from 78 to 96 million hours and the number of trainees from somewhat over 1 million to somewhat less than 1.4 million (ibid., p. 73). This would not appear insubstantial.

The data covering 1971-74 refer to the number of trainees financed or subsidized to some degree by the Government for various types of

programs or objectives. For trainees receiving public aid for purposes of "maintenance or improvement of capabilities or social advancement," the numbers increased from 446,000 to 474,000 between 1971 and 1974--largely workers covered by the 1971 Act. Excluding youth programs, other subsidies involved an increase from 251,000 to 290,000, largely for purposes of structural adjustment for which the State assumes major responsibility (ibid., pp. 66-67).

Such information tells us very little if anything about the counter-cyclical effects of the 1971 program for paid educational leave except, under it, employer expenditures were scheduled to increase rather than decline in what proved to be the recession just ahead. In all, the French scheme appears to have weathered the austerity effects of recession policy better than the German. Employer expenditures for training rose to 1.62 percent of payroll by 1975, as scheduled. More significantly, the original collective agreement of the negotiating partners in 1970 was revised in 1976 to liberalize qualifications for entitlement to training--the reverse of what happened in Germany--and confirmed in the Act of July 1978. The changes were "designed to encourage more people to exercise their right of educational leave" (IDS, No. 79, 1978, p. 5). The 1978 Act also made for some changes in the financial role of the State, viz., to reimburse employers for salaries paid after a specified number of weeks in the short or long courses. The employers, however, are no longer obliged to authorize leave for more than one-half of one percent of their workforce at any one time.

It appears that what we see developing in France is a public-private worklife training system along the lines of the fourth possibility

suggested above, i.e., one with dampened cyclical fluctuations along an upward secular trend. Workers and employers in expanding industries have incentives for engaging in training activities in recession as well as in recovery, with Government giving favored financial treatment to growth sectors, and providing programs or facilities under its own control to train workers set loose from declining industries for employment in expanding industries or new technologies.

TOPS in the United Kingdom

As we consider the Training Opportunities Scheme (TOPS), the British counterpart of the Swedish, German, and French labor market training programs for adult workers, it may be useful to note some institutional similarities and differences. The United Kingdom is a unitary state as are Sweden and France, while the Federal Republic of Germany is a federal state much like the United States in educational matters. Yet Germany has a strong national manpower agency, while centralized France has none at all except for its employment service. All four countries have strong tripartite characteristics in labor market policy and administration, and especially in regard to training and retraining of adults.

The Manpower Services Commission differs from the National Labor Market Board in Sweden and the Federal Institute for Labor in Germany in that it is tripartite at the policy level nationally but not in administration, either nationally or locally. All three national manpower agencies are organizationally independent from cabinet ministries and have considerable policy authority, subject ultimately to overall policy and budgetary control of their governments. We have noted the special French solution above; there is considerable

(syndicalist-like) devolution of policy-making and administration-- even invited by Pompidou before 1968--to bipartite employer and trade union organizations.

The special feature of the Manpower Services Commission and its subordinate Training Services Division (TSD) is that, unlike the central manpower agencies in Sweden and Germany, it has potentially effective control over the whole of the postschool training system. The Industrial Training Boards (ITB) Act of 1964 was the consequence not so much of shortcomings in the education system but of the restrictions on apprenticeship by local unions, and was enacted with the tacit if not open support of the central Trades Union Congress, the TUC (Gordon, 1965, passim). The subsequent Employment and Training Act of 1973, establishing the Manpower Services Commission and embracing what are now known as the Training Services Division and the Employment Services Division, introduced levy exemption in place of the levy grant scheme of the 1964 Act to simplify administration and aimed, in part, to give the (preexisting) Training Services Agency better control of the system in meeting problems cutting across industries. The Training Services Division "funds the operational costs of the Boards. In addition it finances certain key training activities carried out through ITBs and since 1975 has provided additional financial support to help ITBs maintain training opportunities in firms which otherwise would have been lost because of the recession" (U.K. Manpower Services Commission, 1978, p. 17):

As stated in the 1978 MSC Review and Plan,

The aim of the Training Services Division is to promote the development of an efficient national training system which contributes effectively to meeting the manpower needs of the

economy and enables working people to have training opportunities consistent with their capacities, desires and employment needs in preparation for and throughout their working lives (p. 18, italics ours).

TOPS, the Training Opportunities Scheme, grew out of the Government's earlier skills program in its own centres. From its beginning in 1972, TOPS was designed primarily to "meet the needs of individuals who did not acquire a skill early in their working life, whose skills were outdated or in need of refreshing on reentry into the labor market, or who wish to train for a higher level of skill" (U.K. Manpower Services Commission, 1976, p. 17) and to complement other components of the training system.

From its creation in 1973, the Manpower Services Commission was committed to the objective of countercyclical training, and one of the first tasks given the Training Services Division was to develop contingency plans "in the event of rising unemployment" (ibid., p. 25). From the preexisting level of 15,000 trainees in the Government's earlier programs, TOPS steadily increased its enrollees from 45,400 in 1974 to 99,000 in the year ending March 1978--as against an earlier projection of 100,000 by 1980.

By 1978, more than 800 courses were being offered, mostly in the middle and lower ranges of craft, commercial, and clerical occupations--a deliberate policy to avoid overlapping with training "traditionally carried out either by employers or by the educational or by the professional training system" (TOPS Review, 1978, p. 9). Training in craft skills takes place at the TSD's Skill Centres and in employers' establishments (but not if "specific to only one employer"). Most of the other training, the larger part of the whole, is offered in

"colleges of further education" and residential colleges where facilities are relatively more available.

Compensation to trainees is perhaps no less generous than in the French, German, and Swedish programs. As of 1976, the stipends for trainees, tax free, had been increased to a level 75 percent above unemployment benefits. Training allowances comparable to average earnings were urged by the Trades Union Congress in 1977 to increase the demand for training by adult workers (Trades Union Congress, 1977, p. 58). But there is no indication of any change in view of a continued backlog of applicants and a growing view that this is the time for consolidation rather than expansion of the TOPS program.

Until 1977-1978, the British authorities pursued their aim of maintaining or increasing training levels, as indicated by TOPS' performance and by special assistance to the Industrial Training Boards to prevent declines in training in certain industries. Since 1977, however, there had been a great deal of soul-searching going on within the Manpower Services Commission as to the future. Because of the prolonged recession in the United Kingdom, the placement record for trainees has slipped. The "efficient solution" would be to be more selective in accepting applicants and to abolish less successful courses, closing training capacity in areas where placement rates are lowest and switching capacity to the training of employed workers. The "social solution" would be to increase facilities further to give more chances to the less able and disadvantaged and "accepting still higher rates of failure" (TOPS Review, 1978, pp. 16-17).

The first recommendation of the official stock-taking in the Review of 1978 was that "TOPS occupational training should be more closely

related to employers' actual or prospective needs, and trainee's success in securing subsequent employment should be taken as a major indicator of the effectiveness of TOPS training although it should be applied less rigorously in evaluating work preparation courses than for occupational training." And following from that, "The future of TOPS should move from a series of fixed long-term targets to an annual review of objectives in the light of current economic conditions" (TOPS Review, 1978, pp. 49 and 51), which suggests that the growth in training since 1973 actually was of a catch-up character. In any event, the number of adults completing TOPS training in the year ending March 1979 decreased slightly from the 1978 peak, just short of the old 1980 goal (U.K. Manpower Services Commission, 1979, p. 18).

But the fact that TOPS is no longer held out to be countercyclical in intent does not permit the inference that the British training system as a whole is not countercyclical in purpose. "Special training measures continued to be applied throughout the year in order to combat the fall in recruitment of young people to occupations requiring lengthy training and, by so stabilizing annual intakes to meet future needs of industry for skilled manpower, to help alleviate the effect of recession" (ibid., p. 12).

Some improvisation ahead seems inevitable. TOPS itself will seek at one and the same time to devote more of its resources to training of the employed on the one hand and work preparation programs for unemployed on the other. Meanwhile there is to be some relaxation of eligibility requirements for adults for TOPS training courses.

Immediately below in Part III we intend to take a look at the connections between training and unemployment insurance systems from

the point of view of the social profitability of some transfer of public expenditures from benefit payments to training costs in recession. In this connection, we may note that the 1978-1979 Annual Report of the Manpower Services Commission, in recording the gross cost of TOPS at L205 million in 1978-79, observed that "the scheme involves significant savings in state benefits which would otherwise have to be paid to trainees" (p. 18).

PART III.

LINKING WORKLIFE EDUCATION AND TRAINING WITH UNEMPLOYMENT BENEFITS

When it became apparent in 1974-75 that the rising costs of unemployment compensation in the United States and in other countries were beginning to choke off other options of employment policy because of budgetary stringencies, the viewers put forth that expanded training and job-creation programs could be partially cost-free through savings in unemployment benefits--and with positive advantages to the individual, the economy, and society. Prior to 1974, in the U.S. there had been some developing interest in such a policy, as indicated by a limited relaxation of the "availability-for-work rule" for receipt of benefits. Aside from ticklish technical questions of linking unemployment compensation and training programs in any close way, more general social issues came under discussion: should education and training be an option open to workers when unemployed or--under certain circumstances--a requirement for receiving benefits (Barton, 1976)? American experience resulting from the education/training provisions of Federal Supplementary Benefits in 1975-1977, however, seemingly has had little impact on policy thinking along these lines for the future.

A. Unemployment Insurance in Mini-Recessions

Conceived in the Thirties, the American unemployment insurance system was nevertheless designed for relatively limited lapses from prevailing (not necessarily "full employment") levels of employment. It has served generally very well in such circumstances to help maintain incomes of workers subject to season patterns in services, model

change in automobiles, poor fortunes of individual companies, and cyclical downswings, if not too long in duration.

One of the important functions of unemployment compensation is to afford unemployed workers an opportunity to find jobs better fitting their likes, abilities, and skills--thus adding to collective productivity--and to avoid the need to take the first job offered. For those who have been working below their capacities, encouragement of careful job search is as relevant to social policy as ready accessibility to training and educational opportunities. Yet, even in mini-recessions there are many workers trained below their potential capacities who should have the opportunity for education and training without loss of unemployment benefits.

B. The Education/Training Alternative in Long Recessions

The great opportunity for the unemployed to make constructive use of leisure time comes when unemployment is high and of long enough duration so as to trigger extended benefits--more so than in mini-recessions, for which the basic unemployment insurance system was designed. For years, the chief barriers to any development along these lines were the legal requirements of the Federal-state system that beneficiaries be available for work and that state unemployment compensation funds be used only to pay benefits.

In 1970 there was a slight opening of the door with a new Federal standard that "compensation cannot be withheld an eligible claimant for any week of unemployment during which the individual is in training with the approval of the State agency." Busy counselors and examiners are not likely to explore the needs of under-qualified workers for education or training unless pressed by a knowledgeable claimant. According to an

unpublished staff paper of the (then) National Commission for Manpower Policy mentioned by Barton, less than 1 percent of claimants in 1975 were enrolled in training through the Employment Service, or about 3½ percent of CETA training slots (Barton, 1976, p. 14).

A swing in congressional sentiment in favor of training, going far beyond this rather negative Federal standard of 1970, came with Federal financing of temporary extended benefits in legislation, signed December 31, 1974, and June 30, 1975, authorizing if not requiring claimants to make use of available training opportunities. At the same time, Congress directed the Secretary of Labor to report back on a broad list of questions connected with the extended Federal Supplemental Benefits (FSB)--including how many undertook education and training while in benefit status. The results of two surveys, the first in March 1976 and the second in November and December 1977, produced rather striking results as to the take-up of educational and training opportunities by claimants under the temporary extended benefits program (Mathematica Policy Research, 1978).

According to the national estimates of the second survey at the end of 1977, 22.2 percent of all FSB recipients up to that time (57 percent of whom were back to work at the date of interview) reported they had been "enrolled in education and training." Moreover, the "average weeks in education or training" for the enrollees were 45.4 weeks. The figures were somewhat higher for men than for women. For both sexes, participation rates declined with age, but with above-average rates for the age groups 25-34 and 35-44 (ibid., pp. 53-54).

Special tabulations not included in the published study showed that, "especially for younger individuals," most of the weeks reported

in education or training status "were spent in college-type programs (junior college, four year college, or graduate studies). Other important sources of education and training services were state vocational schools, private proprietary schools, and employer-sponsored training courses" (ibid., p. 54).

C. Linking or Unlinking the Training and Unemployment Compensation Systems

So far we have had limited experience in the United States with the use of the unemployment compensation system for paying some portion of the cost of education or training, in order to make more constructive use of unemployment benefits. One reason for wanting to do so is the widespread belief that, for many individuals in benefit status, there are costs in their idleness to both worker and society.

The two extremes in our limited experience are (1) the training permitted a relatively small number of claimants by waiving the availability-for-work rule under the regular state programs and (2) the rather extended periods of education and training for about 20 percent of claimants under the temporary Federal Supplementary Benefits programs, out of special congressional appropriations. These two experiences suggest some of the advantages of linking or not linking the education/training and the unemployment benefit systems.

One can conceive of some considerable advantages in the long run for doing so; the advantages would be those of having an integrated system for counseling the individual and providing training opportunities, where desirable or wanted, and providing the appropriate training, subsistence, and other payments. Clearly the costs for training would be more than what would otherwise be paid in unemployment benefits to

the individual, but total Federal outlays would be reduced by the amount of the unemployment compensation payments.

The disadvantages do not appear to be those of creating a larger, and more complex, organizational structure. Integration might involve simply a better coordination, which would be desirable, of a set of related functions or services. The chief disadvantages would appear to arise from the incompatibility of the Federal-state unemployment compensation system, with its insurance pretensions, experience-rating features, and financing by payroll taxes on employers, for paying for training that might extend rather than shorten time spent in unemployment status.

Some of the legal, technical, and other difficulties as well as possibilities for doing so under the existing state programs have been explored elsewhere (Barton, 1976). Any integration of the two systems involving direct payments out of state insurance funds would be feasible at best only under highly circumscribed conditions--for short-term training or work preparedness that would not involve any extra expenditure out of state insurance funds. In the absence of other solutions, more rather than less of this would seem worthwhile. Going beyond this would appear incompatible with an employer-financed system designed for mini-recessions.

But integration is not necessary nor is any payment from insurance funds to claimants in training in order to assure more constructive use of funds for training than for idleness. The arithmetic is simple. The costs of unemployment payments can be reduced if equivalent expenditures for income-maintenance are made from other sources. Presumably additional expenditures would be required from other sources, in the

form of free services from other organizations or payments for non-free training services. The question is whether the additional costs over what would otherwise have been paid from insurance funds represent a good social investment of money. Whether this windfall savings to the insurance funds raises any questions relating to the payroll-financing and experience-rating features of state systems is beyond the scope of this paper.

Experience under the extended Federal Supplemental Benefits program illustrates further aspects of the question of linking the unemployment compensation and education/training systems. In this case, the funds came directly from Congressional appropriations. For the question of "a more constructive use of unemployment benefits," it would have made no difference whether they were paid out, as they were, as unemployment benefits or paid to the recipients as subsistence allowances under a completely separate labor market training program, except, under FSB, the recipients had a more open choice as to cultural versus vocational courses. The FSB experience also illustrates certain of the difficulties of direct payment of unemployment benefits where the need is for training. Such benefits are almost necessarily less than enough to care for both living and educational expenses--let alone provide an incentive to enter training.

What solution is most convenient, efficient, or politically possible in substituting training possibilities for unproductive idleness of unemployment is difficult to say. Simply waiving the availability rule under state insurance systems seems to have less scope than, say, Federally-financed benefits, except, so far, these have been available only during periods of high and extended unemployment. The same results

could be accomplished, with certain other advantages, through congressional appropriations for a larger system than we now have of labor market training (but with little cultural education likely).

D. Some Foreign Connections

European countries have met similar problems in various ways. Our brief account in the preceding section on worklife learning programs in four European countries has some obvious relevance to and suggestive value for our immediate concern, as has a previously unmentioned Japanese program. The varied connections or non-connections of these countries' labor-market training systems with their unemployment compensation systems are set forth briefly below:

Little Connection between the Two Systems

In Sweden, the labor market training program is financed out of general revenues (with some minor exceptions) granted the National Labor Market Board for its various functions. While the Board has general supervisory responsibility for the heavily subsidized insurance system, including 45 or so various trade union funds, administered in "close collaboration with local employment offices," there is no benefit qualification or disqualification relating to training. In any case, training allowances are higher than unemployment benefits and higher for insured than non-insured workers. Expanding rapidly as unemployment rises, the labor market training program reduces the amount that otherwise would be paid in unemployment benefits.

Much the same can be said about the two systems in the United Kingdom except that the Manpower Services Commission has no supervisory responsibility with respect to the unemployment insurance system. There is, however, a disqualification of up to six weeks for unemployment

benefits for "failure to follow up job or training opportunity." As in all the other countries, the public employment offices provide counseling to insurance recipients as to their training needs.

Different Payroll Taxes and Diverse Subsidies in Financing
Separate Training and Unemployment Benefit Programs

French financial and administrative arrangements are more complex than elsewhere. The two systems are in fact quite separate. "Paid educational leave," financed by a payroll tax on employers with some state subsidization, has no relation, except in a preventive sense, to unemployed workers, as it is a program for employed workers. Training programs for the unemployed are carried out by the government through various public and private agencies and are financed out of general revenues. The unemployment insurance system is a joint undertaking of the trade unions and employers, financed by payroll taxes on workers and enterprises, with some state aid. Except for one special group receiving special benefit payments under an interim agreement late in 1974 between the trade unions and employers, there is no training requirement of any kind as a precondition for receiving unemployment benefits; these workers must show willingness to accept appropriate training opportunities.

Financing Unemployment Benefits and Training out of a
Common Fund

In the Federal Republic of Germany, all of the various labor-market programs of the quasi-independent central manpower agency, including training, are paid for out of a common fund from its own tax on employer payrolls. The Government supplements this fund if it becomes insufficient to pay for mandated (non-discretionary) programs, such as unemployment benefits. When this happened as a result of heavy unemployment benefit payments after 1974, the decision made by the

political authorities was to reduce training expenditures for employed workers--a feature of its labor-market training system--and to increase training for the unemployed. This resulted probably but not necessarily in a decline in total training for adult workers. Yet the fact of a common fund made no difference; the same decisions were made as would have been made if there were no common fund, with much the same results as in other countries.

Split Responsibilities Between the Two Systems

In Japan, middle-aged and older unemployed workers undertaking "vocational redeployment training" continue to receive unemployment payments in the normal way through the Public Employment Service, and these are continued to the end of the prescribed training. If not eligible for unemployment benefits, the trainee receives a "vocational training allowance" of more than \$300 per month through prefectural governments or the Employment Promotion Projects Corporation (Japan, 1977). For workers covered by the unemployment insurance system, disqualification for one to two months is the penalty for "non-attendance at recommended training."

PART IV.

INTERACTION OF PUBLIC AND PRIVATE TRAINING SYSTEMS

What is meant by the Private Training System is clear enough; it is the means corporations devise to satisfy their needs for industry and firm-specific training. "Private industry in the United States includes an extensive education and training system that has developed principally from the basic needs to translate the general skills of newly hired employees into more particular job competencies, and to ensure the continuing adaptation of its work force to new knowledge and technology" (Randall, 1977, p. ix).

What is meant by the Public Training System is more difficult to define. In any country, account has to be taken of the particular character of basic education and vocational systems, of apprenticeship in relation to education and industrial training, and of opportunities afforded adults for worklife education and training. In the United States, whatever the assessment of the role of vocational education, CETA is the dominant manifestation of a national labor market training policy or system, incomplete as it may be.

Coexistence of public and private systems implies a certain tension between the two. In most countries, the result is for public training to complement--or make up for shortcomings in--private training. In the particular situation of the United States, the tension between the two systems finds expression in barriers blocking access of public trainees, e.g., CETA trainees, to the internal labor markets of corporate and worklife training and in declarations of need for collaboration--business

should help CETA and the disadvantaged, and CETA should help train for employability and jobs in industry (Committee for Economic Development, 1978; National Commission for Manpower Policy, 1978; Title VII, CETA amendments, 1978).

Not too clearly perceived are the implications of private training policy for the larger society. According to K.A. Randall, President of The Conference Board:

To many planners in government and various quasi-public institutions, the corporate education and training system appears to connect with, or brush closely by, a number of education-related social and economic problems--the transition of youth from school to work, productivity, imbalances between jobs and market needs, opportunities for women and minorities, averting occupational obsolescence and facilitating career change--and to have potential for new or enlarged roles in their management. If the nature of these roles is not clear, an important reason is that the corporate education and training system itself is largely hidden in shadows--seen dimly if at all, and certain parts are mistaken for the whole (Randall, op. cit.).

Below we will look briefly at the separatism of internal labor markets and some consequences of relevance to training and employment policy.

A. The Role of Firm-Specific Training in Labor Market Segmentation

The development of internal labor markets in firms in the modern sector--and the concept of the dual labor market in economic analysis--has generally been connected quite specifically to corporate training, its fixed character, and the risk to the company of losing its investment in human capital by quits or pirating (Doeringer and Piore, 1971; Rees, 1973; Cain, 1976). With exceptions at the top, jobs are filled from the outside only at the lowest levels in the pure model; within the firm, there is a progression of jobs leading to higher skills and career opportunities. Yet the firms do not exist in isolation. The principal means by which they "reconcile imbalances between the supply of labor in the external labor market and the labor requirements of the

internal labor market" include "hiring standards, screening procedures, training, recruitment procedures, subcontracting, job vacancies and overtime..." (Doeringer and Piore, 1971, p. 112).

Restriction of entry into the good jobs and wages of firms in the primary sector of the dual labor market is emphasized in the following formulation of the two sectors:

- a modern-protected sector where wages are institutionally fixed above the market level characterized by restrictions to entry, and
- a traditional-unprotected-informal-unorganized or murky sector with free entry and where wages perform a market-clearing role (Pinera and Selowsky, 1978, p. 479).

To the unemployed, the restriction at the port of entry to low-level jobs serves as a barrier to opportunity for experienced and skilled workers, while the screening procedures often appear discriminatory to the less-experienced or disadvantaged applicant. Social critics may view the privileged individuals in the internal labor markets of the primary sector either as victims or beneficiaries of the "new feudalism" or the "golden handcuffs." In any event, there is in fact a real difference in the quality of working life and degree of exposure to the ordeal of change for workers in the two sectors--a continuum in reality--of the dual labor market.

Although the model of the dual labor market serves very well to point up considerations relevant to the relationship between public (external) labor market training and private (firm-specific) training for policy discussion, there are no absolute barriers or discontinuities between the primary and secondary labor markets in the American situation. Even so, firm-specific training reduces inter-firm mobility, for the worker is likely to be worth more to his own employer than to another.

In the poor jobs in secondary employments where firm-specific training is of less account, where a worker is worth not much more or less to one employer than to another, neither employer nor employee has much incentive to make a lifetime career out of the job in the firm. Doeringer and Piore take something of a "they deserve each other" view. "Workers in the secondary sector, relative to those in the primary sector, exhibit greater turnover, higher rates of lateness, more insubordination, and engage more freely in petty theft and pilfering" (op. cit., pp. 165-166), which employers regard as part of the mutuality of the employment relationship and wage bargain.

Workers in the better organized and more productive sectors of the labor market do not, however, escape all the risks and insecurities that are the lot of secondary-sector workers. Production workers in primary employments are still wage, not salaried, workers and are subject to lay-off to accomodate variations in demand. But the safety net of the unemployment compensation system (usually below full costs to their employers) has a different significance in the organized sectors, where large proportions of laid-off workers expect to be called back to their jobs (Feldstein, 1978, pp. 834-835, 844-845). There may of course be mergers, reorganizations, or bankruptcies severing the cord between employer and employee at every level of corporate worklife. But the chances for regaining comparable employment are better for such workers than the chances of an outsider with a history of employment in secondary-sector jobs making the transition to a job with built-in career progression possibilities. This is the challenge to public training policy.

B. The Japanese Parable

The relationship of the corporate education and training system ("hidden in shadows-seen dimly if at all") to the phenomenon of duality may be seen most strikingly by reference to the pure model of the Japanese lifetime employment system as it existed in its heyday, say between 1955 and 1970 (Taira, 1970, pp. 183-190; OECD, Japan, 1973, pp. 97-106).

In Japan the demarcation of the modern and traditional sectors is vividly evident in the high technology, high productivity, and high wages that set off the primary from the secondary sector. Because of the latent costs of turnover, the lifetime system is designed to prevent movement of regular workers from company to company, even at the executive level. As production demands, there come and go temporary and casual workers and the extra workers of subcontractors, from the external labor market, who are attracted by high wages but who are outside the benefits of the lifetime system.

Entry into the system is solely at time of school-leaving. At whatever level of education, the school-leaver seeks the most prestigious, best-paying company, and the company seeks the best-educated student as screened by grades, the testimony and reputation of the teachers in such matters, and the relative prestige of the schools and universities. Japanese education being largely devoid of vocational content, the new entrant has few if any specific occupational qualifications (only in recent times has there been anything like a Harvard School of Business). Depending on education status on entry to the company, the worker is provided appropriate orientation and training for a lifetime of work in the company.

The quite independent enterprise unions are partners in the life-time employment system, in which seniority is an essential feature as is freedom from competition from qualified workers of the external labor market. The system was established, however, only in the large firms in the modern sector which could afford commitments to lifelong training and employment. Accordingly, the public training system trains workers on the external labor markets both for the lesser enterprises in the modern sectors as well as for traditional employments.

C. Public Policy Alternatives for Lifelong Education and Training in America

Several tendencies are evident in education/training for adults in the United States that provide a starting point for thinking about policy directions for the future.

- There is the priority given in CETA to employability for the disadvantaged, with some secondary attention to skills training and job placement of more experienced unemployed workers. The focus is largely on jobs in the secondary labor market or on entry-level jobs in firms in the primary labor market. Training of employed adults, for skills enhancement and job promotion, is outside the scope of this major American labor market training program.
- There is a continuing development of corporate education and training for the privileged workers in the internal labor markets of the larger enterprises, and no countervailing public program for decasualization of worklife in the small firms of the secondary labor market other than the potential effects of CETA job-preparedness efforts.
- Cutting across these public and private training systems, there is a burgeoning structure of education/training opportunities for adult workers. At the option of the individual, these voluminous opportunities may serve both labor market and broader social interests. These may entail some financial costs and use of leisure time. Except in large corporations, there are no programs of paid educational leave or training for adult workers without cost and during regular working hours.

Some Questions ...

Economic resources being limited, a national education/training policy implies some priorities and some scheme for coordination of the different approaches and parts of the system. For this an appraisal of the needs and efficiency of the various parts of the going system is necessary. Here we can only raise some questions and suggest some alternatives.

- Is the overall patchwork of our education/training system for worklife adequate to meet the needs of the American worker and economy? Earlier we noted the prevailing optimism, while America was becoming the economic leader of the world, that our pragmatic combination of comprehensive education, on-the-job experience and job mobility, some skills via apprenticeship or immigration, together with the beginning of formal training within large corporations, would suffice; that the skill requirements of an ever-changing technology were not beyond the capacity of this unsystematic system of training.
- Are recent technological developments again raising questions which generally were thought put to rest at the time of the alarm over automation in the late Fifties and early Sixties? Technological displacement is beginning again to be taken seriously in some responsible quarters. And complaints are being heard (perhaps they always were) about the lack of skills training of young job applicants and the poor quality of our industrial output. Currently our fading productivity and lack of competitiveness in world markets raise questions whether it is deficiencies in the American training system, not only deficiencies in investment in modern plant facilities, that require new attention.
- Is our only national labor-market training program, CETA, adequate in scale, emphasis, and objectives? and, related, how good is in-firm training in the small and medium size firms that CETA most readily could be expanded to serve with some expectation of effectiveness? How good--or wasteful--is the tax-deductible training of the large enterprises? Are the financial resources allocated by Congress to the vocational education system economically utilized or could these resources be better used in a differently-oriented and expanded CETA-type system?

- Should the balance between expenditures at all levels of government for school life education/training and for work life education be shifted in the direction of the latter? Should there be a greater emphasis on vocational content and preparation for work life? And if so, does this imply--for the variety of opportunities increasingly available to adult workers for lifelong learning and further training and retraining--that there should be some form of public financing for those oriented to labor market needs of the individual and the economy, while leaving support of the more culturally-oriented to the resources of private groups and the individual?
- If other parts of the system are unchanged, can a largely voluntaristic approach to lifelong learning and training serve by itself as a principal means for overcoming shortcomings in American education and training?

And Some Conclusions and Advisory Opinions

Curiously, no other major industrial country evidences such narrowness in training policies and programs or such apparent lack of concern over the risks of failing to take adequate measures for enhancing work skills for productivity and for adaptability to the ordeal of change in individually or collectively.

The main evidences of the shortcomings in present policy should be looked for in our principal labor market training organization--CETA. The fault is not the attention given to the young and to the disadvantaged, or its emphasis on job preparation and on low-level skills. Rather the fault is the relative underemphasis on a higher level of skill training for the experienced unemployed adult and the exclusion of employed adults.

One alternative to the drift of current American training policy, while maintaining an emphasis on employability training of the disadvantaged, would be to ensure an adequate level of training for small and medium size enterprises in the continuum of the primary sector of the labor market. If this were to prove infeasible in a slack market with surplus skilled workers on hand, an alternative might be

to provide services to improve the skills of employed workers within such establishments. If it can be shown that there is in fact too low a level of skills among employed workers, or lack of incentives for employers to do anything about it, consideration should be given to some training tax and rebate for training services provided or purchased by the firm.

If in fact the total of private and public training at the higher level of skills training has settled at a steady state in recent years, or is not providing special skills required by new technology of a kind that can create bottlenecks with or without any marked growth rate, more attention in public policy should be given to countermeasures than is now the case. While there is merit to the objection to stockpiling skills, there are always some skill shortages, considerable turnover and new jobs, and receptiveness of employed workers to skills training on job time--and unemployed workers who are willing to take a risk to improve their own capabilities and likelihood of getting a job.

Permitting workers to engage in education and training activities while in unemployment benefit status is not the best approach but can be useful on a larger scale than now permitted under the Federal-state unemployment compensation system. More positive approaches are possible that would enlist more unemployed persons while, with savings in unemployment benefits, costing only marginally more. Public policy would not only escape the charge that it encourages and subsidizes idleness but instead yield a net social gain.

There would appear to be no need for any general change in the design of a decentralized labor-market training system; there is provision enough for central direction and special programs of a national

character. Nonetheless, there would appear to be some advantages in direct operation of national training centers for training trainers for adult trainees and for training to meet extraordinary needs of a national character, say, for the development of new energy sources and for bottleneck shortages that cut across industry lines and for which there is not sufficient concentration in a decentralized delivery system. At least, this is some of what British, Japanese, and Swedish experience seems to offer us by way of advice.

But if the political view is that we cannot afford such changes in our worklife education and training policy, let alone go to the trouble of organizing arrangements for paid leave for further education and training, it is all the more important to advance in whatever ways possible the various opportunities open to individuals as envisaged in the Lifelong Learning Act.

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The National Institute for Work and Learning (formerly the National Manpower Institute) is a private, not-for-profit, policy research and demonstration organization established in Washington, D.C. in 1971. NIWL is concerned with encouraging public and private sector policies and practices that contribute to the "fullest and best use of the life experience"; with eliminating artificial time-traps which segment life into youth for schooling, adulthood for working, and the rest of life for obsolescence; and with a more rational integration of education, employment and training, and economic policy.

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